

Economic Profile Series: Medicine Hat, Alberta

Spring 2019

This series looks at 20 communities across Canada and highlights key labour market statistics and the role that immigration has played, or could play, to help these communities flourish. It is important to note that predicting future labour market demand can be challenging, as economies are always evolving. This profile uses current population and labour market trends to give a profile of how immigration might play a role in this community.

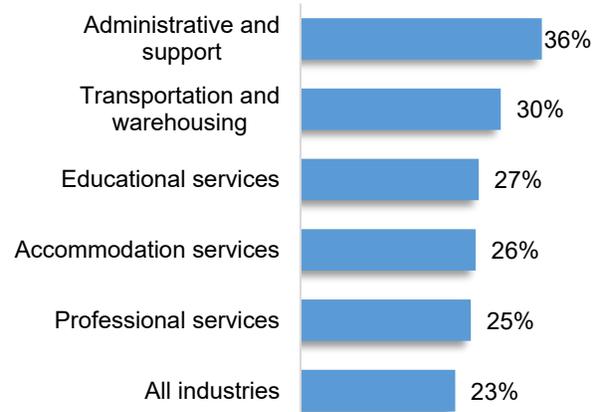
Ensuring Medicine Hat will have the workers it needs for the future: the role of immigration

The looming workforce challenge

The 2016 Census reported that nearly 1 in 4 people in the Medicine Hat workforce was over the age of 55. This means that 9,500 workers are likely to retire in the next decade or so (as they will be 55 and older). More than 30% of workers in the transportation and warehousing and the administrative and support services sectors were over 55 (Figure 1).

There may not be enough young people coming through the education system to meet the demand of the future workforce, and this could be a barrier to the community's long-term growth.

Figure 1: Share of the Medicine Hat¹ workforce over the age of 55—selected industries*



Source: Statistics Canada, 2016 Census.

Medicine Hat plays an important economic role in southeastern Alberta

The economy of Medicine Hat¹ (population 76,522) is built on a variety of industries, including oil and gas development, and agriculture and related services. The community is currently pursuing a number of [exciting new economic opportunities](#) in value-added agriculture, renewable energy and manufacturing. Medicine Hat is also an urban services hub serving a wider population area in southeastern Alberta.

The population is aging fast

There are growing signs that the demographic situation in Medicine Hat could be a barrier to future economic growth. In 2001, across Division 1 (where the Medicine Hat urban centre makes up 93% of the population), there were 123 young people under the age of 20 for every 100 people over the age of 55. By 2017, that ratio had declined to 82 young people for every 100 over the age of 55 (Figure 2).

¹ The Medicine Hat census agglomeration area includes the City of Medicine Hat, the town of Redcliff and the Cypress County municipal district.

At the same time, the sources of population growth are changing. A decade ago, almost all of the net increase in population came from natural population growth (births minus deaths) and from people moving in from elsewhere in Canada. By 2017, new immigrants were the main source of population growth. Figure 3 shows that the average annual number of immigrants settling in the Medicine Hat urban centre has more than doubled over the last decade.

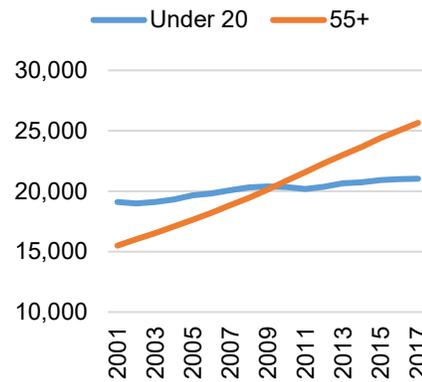
As of the 2016 Census, nearly 11% of all workers in Medicine Hat were immigrants. In the nursing home and residential care sector, 22% of workers were not born in Canada. One out of every 4 workers in the food and beverage manufacturing sector and 17% in the accommodation and food services sector were immigrants.

Employment by industry is shifting

As shown in Table 1, the size of the Medicine Hat workforce and total employment has declined in recent years. This is due mainly to the challenges in the oil and gas sector but, across the Medicine Hat-Lethbridge economic region, there has also been a decline in employment in the agricultural sector.

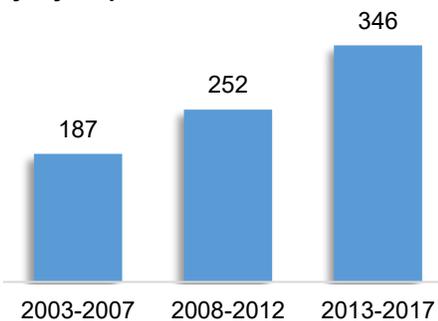
At the same time, other industries, including manufacturing and many service-based industries, have been expanding. Professional services employment across the region rose 16% between February 2015 and February 2019, as did employment in the finance and insurance, education and health care sectors².

Figure 2: Population by age group and year



Source: Statistics Canada, Table 17-10-0084-01.

Figure 3: Average annual immigration by 5-year period



Source: Statistics Canada, Table 17-10-0085-01.

Table 1: Changing labour market indicators: Medicine Hat

	2010	2018	Change
Workforce	42,000	38,000	-10%
Employment	39,800	35,700	-10%
Not in the workforce	20,200	23,900	+18%
Unemployment rate	5.9%	6.1%	

Source: Statistics Canada, Table 14-10-0102-01.

² Source: Statistics Canada, Table 14-10-0091-01.

The aging workforce: a risk for the economy

The number of people in Medicine Hat reporting Canada Pension Plan income rose by 27% between 2008 and 2016.³ Given the share of the workforce over the age of 55, the number retiring is set to rise significantly in the coming years. As the region's economy picks up and new jobs are being created in service industries, will there be enough workers with the skills needed for the jobs?

Which industries could be at risk if the community is unable to attract younger workers to the region? Table 2 reveals the industries for which Medicine Hat has a much higher concentration of workers compared to the rest of the country. Adjusted for size, there are over 4 times as many people working in oil and gas extraction and nearly 8 times as many in related support activities. The region has 51% more people employed in nursing and residential care facilities and that number is poised to grow significantly in the coming years.

Medicine Hat's role as a centre for commerce and tourism is highlighted by the above average concentration of workers in general merchandise stores and in the accommodation and food services sector. The aging workforce could lead to more worker shortages in many of these strategically important industries in the near future.

Table 2: Medicine Hat's dominant industries: employment share compared to the national economy*

	Farming – twice as many		Heavy and civil engineering construction – more than two times as many
	Oil and gas extraction – more than 4 times as many		Accommodation and food services – 14% more
	Support activities for oil and gas extraction – nearly 8 times as many		General merchandise stores – 50% more
	Nursing and residential care facilities – 51% more		Rail transportation – more than three times as many

*For example, adjusted for size, Medicine Hat has 51% more people employed in nursing and residential care facilities compared to the national economy. Source: Statistics Canada, 2016 Census.

Medicine Hat's aging entrepreneurs

The community's entrepreneurs and small business owners are getting closer to retirement, which is an additional challenge for the local economy. There are 1,800 self-employed people in Medicine Hat and more than 40% of them are over the age of 55. Nearly half of those self-employed in transportation and warehousing, administrative services and real estate are over the age of 55. The region will need a new generation of younger entrepreneurs to step up and help grow the local economy.

³ Source: Statistics Canada, Table 11-10-0007-01.

Critical to sustained economic growth: ensuring there is a talent pipeline

The Medicine Hat workforce is aging, and the pipeline of younger workers is shrinking. There are a number of ways the community can expand the number of available workers in the years ahead:

- **Attract more students to the region**

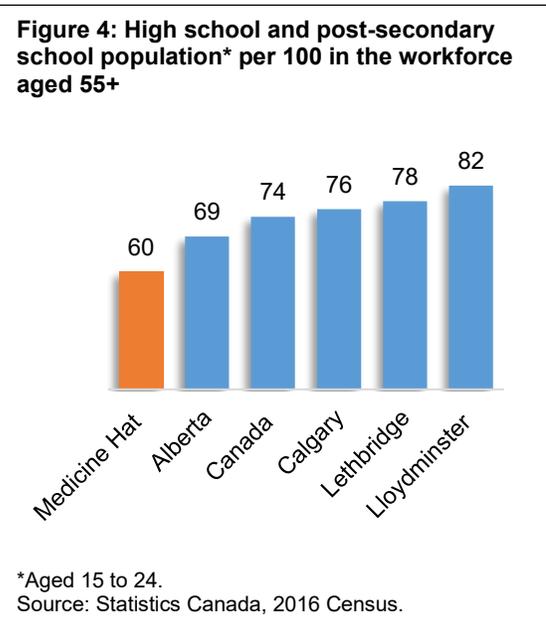
Compared to many other smaller and larger urban centres, Medicine Hat is at a disadvantage because it has a smaller student population and therefore less of a local talent pipeline. In 2016, there were 60 young people aged 15 to 24 in high school and post-secondary school for every 100 people in the workforce over the age of 55 (Figure 4). This was well below the average for urban centres across Canada. The good news is that Medicine Hat College has witnessed a [30% increase](#) in the number of international students enrolled between 2018 and 2019 compared to the previous year. Many of these international students may be candidates to stay and find work in the local community. Expanding the local talent pipeline with more students is an important way the community can ensure there will be enough workers for the future.

- **Encourage more people to join the workforce**

The tightening labour market creates employment opportunities for people who previously struggled to participate in the labour market, such as women re-entering the workforce or those with disabilities. Persons aged 55 and older who are not in the labour market could also be enticed back in by being offered flexible work and other benefits.

- **Continue to attract people from outside the region**

There is no doubt that the biggest opportunity involves continuing to attract young people and families to Medicine Hat. Since 2013, across Canada, all net growth in the labour market has come from immigrants⁴. There is a direct correlation between attracting immigrants and workforce growth. The urban centres with the highest immigration rates have, by far, the fastest labour market growth. As discussed above, Medicine Hat has been attracting more immigrants in recent years but its immigrant attraction rate is still 60% below the provincial average.



Immigration: boosting the Medicine Hat talent pipeline

Along with other efforts to boost the workforce, increasing the number of immigrants settling in Medicine Hat will ensure the talent pipeline is large and strong enough to meet local industry demands and provide a source of new entrepreneurs. These immigrants come as students, workers and business owners who fill important roles in the economy and boost demand for local goods and services.

⁴ The number of workers born in Canada exiting the workforce is greater than the number of workers born in Canada joining the workforce each year.

Helping to grow the local economy

Attracting more immigrants in the coming years will create new demand for local products and services. Every 1,000 new immigrant families with an average household income directly generate \$84 million worth of new household expenditures, much of this spending is in the local community⁵.

Statistics show that these 1,000 immigrant families would spend:

- \$16 million per year on housing costs, such as mortgage payments, electricity and property taxes
- \$13 million each year on transportation costs, such as vehicle purchases and maintenance, and
- more than \$8 million on food expenditures at local grocery stores and restaurants.

These 1,000 new families would also generate more than \$20 million worth of taxes per year for local, provincial and federal governments.

Other positive effects

Continuing to attract immigrants to Medicine Hat supports a vibrant economic and social life in many other ways. Civic and business groups have a growing pool from which to draw members. Youth sports clubs and leagues around the region benefit from an increasing population of young residents.

Retaining and integrating newcomers

Retention will be critical to long-term population growth. In order to ensure the successful integration and retention of immigrants to Medicine Hat, it is important that newcomers are welcomed into social life and quickly develop a strong sense of Canadian identity and social cohesion. The community does have an [organization that offers settlement services](#), such as help finding a job or registering children in schools.

Helping to sustain high quality public services

There is a direct relationship between economic growth and provincial and local government capacity to provide high quality public services and public infrastructure such as roads, schools and hospitals. A growing economy and population in Medicine Hat could lead to a greater public investment in services and infrastructure.

Older residents play an important role in the community

Residents of all ages contribute to the well-being of their communities and their province by working, paying taxes and giving back through volunteer and charitable activities. As residents of Medicine Hat retire and move into a new stage in their lives, it creates new economic opportunities in health care, personal services and recreation industries.

But these should not be considered a replacement for Medicine Hat's important natural resources-based sectors and service industries. In the years ahead, the community can benefit from the economic opportunities arising from more retirees and from attracting and growing the younger workforce.

Medicine Hat in 2035

What will Medicine Hat look like in 2035? Will it continue to be a small but thriving urban centre that is providing the workforce needed by local industry? Will it see the growth of new industries? Will a new generation of entrepreneurs step up to help grow the local economy? Whatever lies ahead, it's clear that immigration stands to be a major contributor to the community's potential growth in the years to come.

For more information on how immigration matters across Canada, visit Canada.ca/Immigration-Matters.

⁵ Assumes the new household spending conforms to the current spending pattern in Alberta.